

# CITY OF FORT LAUDERDALE, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Fort Lauderdale have included this new section in the Comprehensive Annual Financial Report in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 34. It is intended to provide the readers of this report with a general overview of the financial activities of the City during FY2002. The information in this section should be considered only in the context of the Transmittal Letter at the beginning of this report, as well as the financial statements and notes to financial statements to follow.

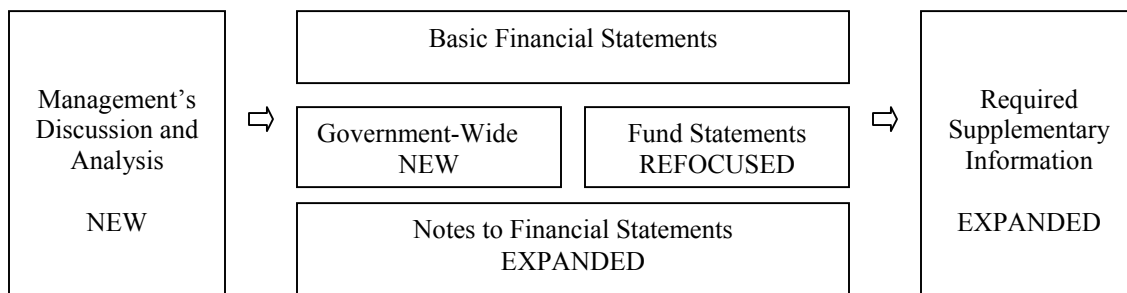
### Financial Highlights

The following are the highlights of financial activity for the fiscal year ending September 30, 2002:

- The City's total net assets exceeded its liabilities at September 30, 2002 by \$586 million (net assets). Of this amount, \$140 million was from governmental funds and \$446 million was from business-type activities.
- The City's revenues for governmental activities, excluding transfers, were \$212 million. The expenditures for governmental activities were \$222 million.
- The business-type activities experienced an increase in revenues of \$5.3 million. Expenditures increased by \$10.4 million. Net assets increased by \$17.1 million.
- The General Fund had a decrease in fund balance of \$3.7 million due to the impact of September 11, 2001 on revenues affected by slowed economic activity and expenditures affected by security concerns and increased costs for special events and recreation.
- The City's long-term bonded debt decreased by \$ 8.8 million with debt for governmental activities decreasing by \$7.5 million and debt for business-type activities by \$1.3 million.
- The total fair market value of the City's investments at September 30, 2002 was \$745 million. Interest rates continued their decline over the fiscal year. Interest earnings for the General Fund were less than the amount received in FY 1998.

### Overview of Financial Statements

This is the first fiscal year in which the City is reporting under the GASB 34 reporting model. Management's Discussion and Analysis is only a portion of the new features of this format.



The basic financial statements are comprised of government-wide statements that offer a summary of financial activity and more specific fund statements that present more detailed information.

The **Government-Wide Statements** (pages 10 through 12) include the statement of net assets and statement of activities. They are new to governmental reporting and are designed to provide a broad overview of the City as a whole similar to private sector financial statements. The *statement of net assets* shows the total assets and liabilities for the City with the difference being net assets. The change in net assets over time may be an indicator of the City's financial health. The *statement of activities* provides a breakdown of revenues and expenditures by functions. Those generally supported by taxes and intergovernmental revenues such as police, fire-rescue, parks and recreation, and public services are considered governmental activities. Those functions that are primarily funded through user fees and charges are identified as business-type activities. In Fort Lauderdale, the latter activities include Water and Sewer, Sanitation, the Parking System, the Executive Airport, and Storm Water.

The government-wide statements include component units such as the City's Community Redevelopment Agency (CRA) and the Sunrise Key Safe Neighborhood District even though they are technically not part of the primary City government. The City Commission acts as the Board of Directors of the CRA and the City Commission is required to adopt the millage rate for the Sunrise Key District when it adopts the property tax levies for City operations and debt service. These financial statements do not include fiduciary funds such as the Cemetery Trust Funds or the employee pension plans because those resources cannot be used for the City's activities. Details of the fiduciary funds are provided in the fund statements.

The **Fund Financial Statements** (pages 13 through 31) have appeared in previous financial reports but have been expanded under the new reporting model. The City of Fort Lauderdale uses fund accounting to track the sources and uses of resources for specific purposes. The City categorizes funds into three basic fund types: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* (beginning on page 13) are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the previous statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison highlights the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances offer a reconciliation to assist with this comparison.

The City of Fort Lauderdale maintains 18 individual governmental funds. Of this number, the General Fund, Intergovernmental Revenue Fund, and the General Capital Projects Fund are considered major funds and thus are reflected separately in the fund financial statements. All the other governmental funds are combined for presentation purposes as nonmajor funds.

*Proprietary Funds* (beginning on page 22) are comprised of two different categories. Enterprise funds are the equivalent of business-type activities in the government-wide statements. These include Water and Sewer, Sanitation, the Parking System, the Executive Airport, and Storm Water. Internal service funds include vehicle rental, central services (telecommunications, print shop, and central stores), and insurance services. The latter functions provide support to

internal City departments rather than services to the public. These funds are also reported as either major or nonmajor funds depending upon the significance of their financial activity.

*Fiduciary Funds* (beginning on page 30), which are not included in the government-wide statements, are presented in this section and include the City's Police and Fire Pension Plan and the General Employee Retirement System as well as the financial activity of the Arts and Science District Garage.

**Notes to Financial Statements** (beginning on page 32) are integral to a complete understanding of both the government-wide and fund financial statements.

### Other Information

This report additionally includes required supplementary information (RSI) containing the progress of the City's employee pension obligations. The combining statements in connection with non-major governmental and enterprise funds, internal service funds, fiduciary funds and non-major component units are presented following the required supplementary information.

Additional statistical information is presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic data is presented to allow a broader understanding of the economic and social environment in which the City government operates.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time to be a useful indicator of a governmental entity's financial position. The table below summarizes Fort Lauderdale's net assets for FY 2002.

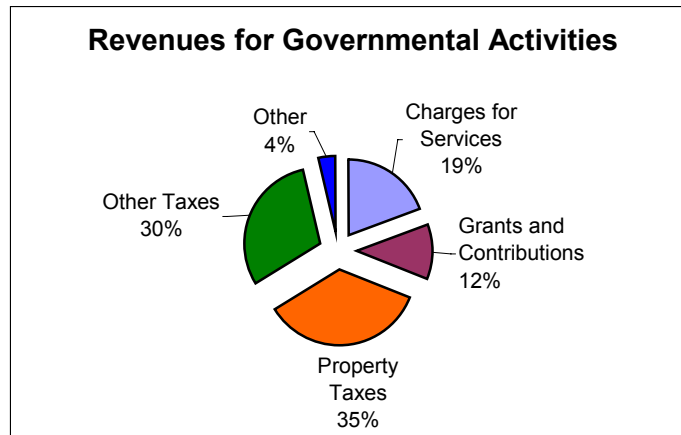
City of Fort Lauderdale, Florida  
Net Assets (in thousands of \$)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 122,461	132,845	255,306
Capital assets	176,669	344,226	520,895
Total assets	<u>299,130</u>	<u>477,071</u>	<u>776,201</u>
Long-term liabilities outstanding	132,883	17,121	150,004
Other liabilities	25,722	13,977	39,699
Total liabilities	<u>158,605</u>	<u>31,098</u>	<u>189,703</u>
Net Assets:			
Invested in capital assets			
net of related debt	88,122	340,916	429,038
Restricted	31,773	6,785	38,558
Unrestricted	20,630	98,272	118,902
Total net assets	<u>\$ 140,525</u>	<u>445,973</u>	<u>586,498</u>

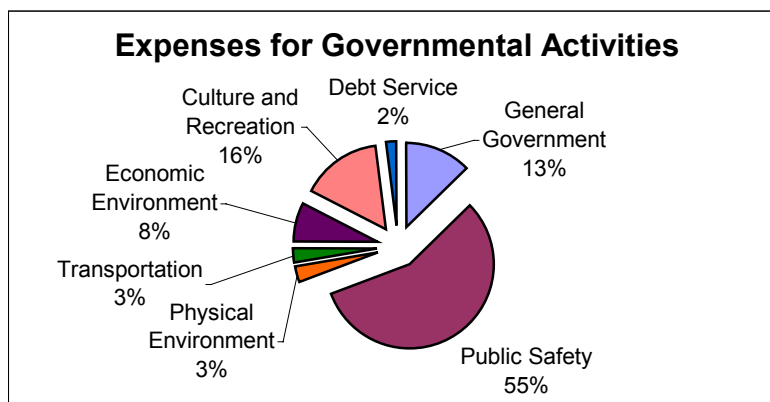
City of Fort Lauderdale, Florida  
Changes in Net Assets  
(in thousands of \$)

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Revenues:			
Program revenues:	\$		
Charges for services	40,781	99,637	140,418
Operating grants/contributions	22,685	428	23,113
Capital grants/contributions	2,298	6,340	8,638
General revenues:			
Property taxes	73,911	-	73,911
Other taxes	63,774	-	63,774
Investment earnings	2,754	4,441	7,195
Other	5,144	540	5,684
Total revenues	<u>211,347</u>	<u>111,386</u>	<u>322,733</u>
Expenses:			
General Government	28,390	-	28,390
Public Safety	125,423	-	125,423
Physical Environment	6,823	80,148	86,971
Transportation	6,238	11,796	18,034
Economic Environment	16,903	-	16,903
Culture and Recreation	34,647	-	34,647
Debt Service	4,110	-	4,110
Total expenses	<u>222,534</u>	<u>91,944</u>	<u>314,478</u>
Increase (decrease) in net assets before contributions and transfers	(11,187)	19,442	8,255
Capital Contributions	289	(289)	-
Transfers	2,043	(2,043)	-
Increase (decrease) in net assets	<u>(8,855)</u>	<u>17,110</u>	<u>8,255</u>
Net assets beginning of year	<u>149,380</u>	<u>428,863</u>	<u>578,243</u>
Net assets end of year	\$ <u><u>140,525</u></u>	<u><u>445,973</u></u>	<u><u>586,498</u></u>

Revenues and expenditures affected the change in assets for governmental activities.



Property taxes represent approximately one-third of the revenues for governmental activities while other taxes such as utility taxes and franchise fees comprise 30% of the total revenues available.



Expenses for Governmental Activities are guided by City priorities of Public Safety (Police, Fire-Rescue, and Building Inspection) that consume over half of all expenses. Net assets decreased by \$8.9 million in FY2002 because expenses exceeded revenues.

In the business-type activities, net assets increased by \$17.1 million due to revenues comprised mainly of program fees (89%) exceeded expenses for physical environment and transportation by \$19.4 million.

### Analysis of the Government's Funds

The City of Fort Lauderdale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements for *governmental funds* provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fort Lauderdale's financing requirements. In particular, unreserved fund balance may be useful as an indicator of a government's net resources available for spending at the end of the fiscal year.

The General Fund balance at September 30, 2002 was \$7.4 million with \$4 million unreserved but designated for use in the FY 2003 operating budget. The General Capital Projects Fund had

a fund balance of \$20.3 million with \$11.6 million unreserved and all but \$543,490 designated for the FY 2003 capital budget. Overall, governmental funds ended with \$81.6 million in fund balance including \$35.2 million unreserved.

The City's governmental activity debt decreased by \$7.5 million as general obligation bonds outstanding dropped \$4.4 million, excise tax bonds by \$2.3 million, tax increment bonds by \$300,000, and other obligations by \$2 million offset by \$1.5 million in additional capital leases for public safety equipment.

The City's *proprietary funds* are presented in more detail in the fund statements but represent the same activities reflected in the business-type activities. Proprietary funds also include internal service funds. In FY 2002, the Water and Sewer Fund had an operating income of \$6.3 million compared to \$7.8 million in 2001 due to additional income from rate adjustments partially offset by increased operating expenditures. While the Parking System had an operating income of \$.7 million, this was \$1.3 million less than 2001 due to increases in operating expenses as additional parking spaces were added to the City's system.

At September 30, 2002, the City's insurance fund had assets of \$7.3 million but liabilities of \$22.4 million of which \$21.9 million represent estimated claim liabilities. With the hiring of a new risk manager, the City is reexamining its approach to the risk management area and working closely with the outside actuaries and the City's Insurance Advisory Board to determine the best course of action to rectify this situation. The health plan for general, management and confidential employees has undergone major renovation in the past two years and appears to be on a better financial track.

### General Fund Budgetary Highlights

General Fund revenues came in \$414,000 less than the final budget projections. Utility taxes exceeded budget projections by \$2.1 million, contractor permits by \$832,000, and miscellaneous revenue by \$451,000 offset by sluggish sales tax receipts \$1.4 million under budget and interfund service charges \$1.6 million less.

Budget appropriations were increased for nonbargaining unit employee raises and for a variety of contingency requests during the year. Only the Parks and Recreation Department exceeded their final appropriations due to increases in special events and recreation costs.

### Capital Assets and Debt Administration

City of Fort Lauderdale, Florida  
Capital Assets (net of depreciation)  
(in thousands of \$)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 29,991	17,076	47,067
Buildings	65,517	113,765	179,282
Improvements other than buildings	37,431	190,264	227,695
Machinery and equipment	31,750	7,658	39,408
Infrastructure	108	-	108
Construction in progress	11,872	15,463	27,335
Total	<u>\$ 176,669</u>	<u>344,226</u>	<u>520,895</u>

City of Fort Lauderdale, Florida  
Outstanding Debt  
As of September 30, 2002  
(in thousands of \$)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General obligation bonds	\$ 46,100	-	46,100
Excise tax bonds	23,360	3,355	26,715
Revenue bonds	-	5,220	5,220
Tax Increment revenue bonds	4,415		4,415
Capital lease payable	2,887	-	2,887
Loans payable and other obligations	11,785	-	11,785
Total Debt Outstanding	<u>\$ 88,547</u>	<u>8,575</u>	<u>97,122</u>

### **Economic Factors and Next Year's Budgets and Rates**

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, and utilities) and fees (franchise, occupational license) for their governmental activities. For the business-type and certain governmental activities (construction services and recreational programs), the user pays a related fee or charge associated with the service.

The adopted operating budget for FY2003 is virtually the same amount for all funds as the FY2002 budget of \$345.2 million. The General Fund budget for FY2003 is \$206.1 million or 8% higher than FY2002. The millage rate was reduced from 5.3730 to 5.2685 due to an increase in the taxable assessed value by \$2.1 billion or 14.8 percent higher. Water and sewer rates were increased 2.5% across the board.

The reduced ending fund balance in the General Fund for FY 2002 will require some adjustments in the adopted budget plan for FY 2003. The economic conditions of low interest earnings and sluggish sales tax will continue to have an impact on budget balancing for FY2004. The City's property tax base continues to show significant growth and projects underway now will provide for future increases in the tax roll.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Fort Lauderdale's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Fort Lauderdale, 100 North Andrews Avenue, Fort Lauderdale, Florida 33301.